

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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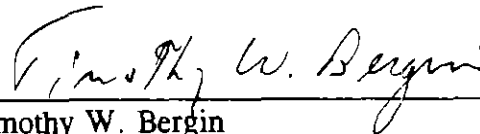
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POSTAL RATE AND FEE CHANGES, 1997  
\_\_\_\_\_

Docket No. R97-1

**THE MCGRAW-HILL COMPANIES' INITIAL  
INTERROGATORIES AND OTHER DISCOVERY REQUESTS  
DIRECTED TO USPS WITNESS TAUFIQUE (MH/USPS-T34-1-6)**

Pursuant to the Commission's rules of practice, sections 25-27, The McGraw-Hill Companies, Inc. submits the following interrogatories and other discovery requests to United States Postal Service witness Altaf H. Taufique.

Respectfully submitted,

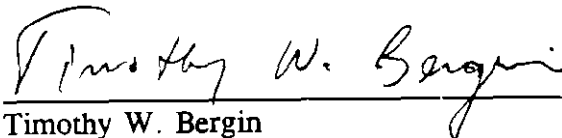


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Timothy W. Bergin  
Squire, Sanders & Dempsey L.L.P.  
1201 Pennsylvania Avenue, N.W.  
P.O. Box 407  
Washington, D.C. 20044-0407  
(202) 626-6600

Counsel for The McGraw-Hill  
Companies, Inc.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document in accordance with Section 12 of the rules of practice.

  
\_\_\_\_\_  
Timothy W. Bergin

September 17, 1997

**MH/USPS-T34-1.** With reference to your testimony on p. 19, lines 10-14:

(a) Please explain fully (including all analytical steps and calculations) how you determined that editorial content would cover approximately 89 percent of its costs under your proposed rate design for Periodicals mail.

(b) What editorial content cost coverage would result under your proposed rate design for Periodicals Regular mail assuming that you were constrained to set the editorial pound charge at 75 percent of the zone 1/2 charge? Please explain your answer and calculation fully.

(c) Please explain fully all factors that cause the editorial content cost coverage under your proposed rate design for Periodicals Regular mail, and under the scenario posited in part (b) above, to be lower than the 95.5 percent editorial content cost coverage under the rate design recommended in Docket R94-1 (Op. & Rec. Dec. ¶ 5150).

(d) Please explain fully the extent to which your methodology in estimating editorial content cost coverage is or is not consistent with the methodology employed by witness Foster in Docket R94-1 (see USPS-T-11, WP V.B, V.C (as modified September 29, 1994) (attached hereto).

(e) Please confirm that your estimate of editorial content cost coverage is necessarily only a rough estimate because (among other things) it is based on the zone distribution for advertising pounds, which has no necessary or likely correspondence with the zone distribution for editorial pounds, and it also likely underestimates the piece revenue from high-editorial publications, which tend not to qualify for substantial presort discounts. To the extent you are unable to confirm, please explain fully.

**MH/USPS-T34-2.** With reference to your response to ABP/USPS-T34-9:

(a) What editorial content cost coverage would result assuming that 30 percent of Periodicals Regular revenues are to be generated by the pound rates, and assuming an editorial pound charge that is 75 percent of the zone 1/2 charge? Please explain your calculation fully.

(b) What editorial content cost coverage would result assuming that 30 percent of Periodicals Regular revenues are to be generated by the pound rates, and assuming an editorial pound charge that is 80 percent of the zone 1/2 charge? Please explain your calculation fully.

(c) What editorial content cost coverage would result assuming that 35 percent of Periodicals Regular revenues are to be generated by the pound rates, and assuming an editorial pound charge that is 75 percent of the zone 1/2 charge? Please explain your calculation fully.

(d) What editorial content cost coverage would result assuming that 35 percent of Periodicals Regular revenues are to be generated by the pound rates, and assuming an editorial pound charge that is 80 percent of the zone 1/2 charge? Please explain your calculation fully.

(e) In the scenario posited in part (d) above, what average increase in piece rates (over current rates) would result? Please explain your calculation fully.

(f) In the scenario posited in part (d) above, to what extent do you estimate that the rate increase (over current rates) for any piece rate cell would exceed 10 percent? Please explain your answer fully.

(g) In your view, could the increase in piece rates under the scenario posited in part (d) above be justified, in view of the reduced editorial pound charge, under statutory ratemaking criterion no. 8 (ECISI) (see USPS-T-30, p. 2)? Please explain your answer fully.

**MH/USPS-T34-3.** With reference to your proposal (p. 13, lines 18-19) that contrary to past practice (see R80-1 Op. & Rec. Dec. ¶¶ 888, 894-95), the editorial pound rate should be calculated independently of any of the zone rates:

(a) What if any specific constraints do you envision on future increases in the editorial pound charge? Please explain your answer fully.

(b) Do you envision that the Postal Service may in the future propose an increase in the editorial pound charge that would result in an editorial cost coverage exceeding 100 percent? Do you envision that the maximum level of the editorial pound charge would be subject to open-ended litigation in each future rate case?

**MH/USPS-T34-4.** With reference to your testimony (p. 6, lines 14-15) that under your proposal, "all Periodicals subclasses will have 3-digit and 5-digit piece rates for both letters and flats for *automation compatible* mail," please explain the effect of your proposal on non-automation-compatible Periodicals mail.

**MH/USPS-T34-5.** With reference to your testimony (p. 10, lines 13-15) that the "letter categories were not affected by this shift [to the proposed new 3-digit and 5-digit categories], and retained the same level of volume as the base year," please explain the effect of your proposal on letter-sized Periodicals mail.

**MH/USPS-T34-6.** In view of the ongoing deployment of the FSM 1000, when will the Postal Service extend the automation discounts to tabloid-sized periodicals, and/or periodicals weighing more than one pound?

Regular Rate  
After Rates Revenues  
Modified:

| 29-Sep-94                               |                         | Base Year          |                  | 1995                    |                    | USPS-T-11<br>WP V.B<br>Page 9 of 11 |  |
|---|-------------------------|--------------------|------------------|-------------------------|--------------------|-------------------------------------|--|
| Rate                                    | Billing<br>Determinants | Postage<br>Revenue | Phase 2<br>Rates | Billing<br>Determinants | Postage<br>Revenue | 1995 at 100%<br>Editorial           | Postage Revenue<br>1995 at 100%<br>Advertising |
|   |                         |                    |                  |                         |                    |                                     |  |
| 0.168                                   | 23,683,013              | \$3,978,746        | 0.185            | 24,492,841              | \$4,531,176        | \$0                                 | \$10,134,763                                   |
| 0.178                                   | 353,214,489             | \$62,872,179       | 0.196            | 365,292,475             | \$71,597,325       | \$0                                 | \$160,139,875                                  |
| 0.196                                   | 254,571,025             | \$49,895,921       | 0.216            | 263,275,949             | \$56,867,605       | \$0                                 | \$127,194,293                                  |
| 0.204                                   | 140,673,217             | \$28,697,336       | 0.225            | 145,483,465             | \$32,733,780       | \$0                                 | \$73,214,793                                   |
| 0.224                                   | 213,610,729             | \$47,848,803       | 0.247            | 220,915,037             | \$54,566,014       | \$0                                 | \$122,046,384                                  |
| 0.258                                   | 214,462,891             | \$55,331,426       | 0.285            | 221,796,338             | \$63,211,956       | \$0                                 | \$141,384,539                                  |
| 0.292                                   | 70,681,911              | \$20,639,118       | 0.322            | 73,098,842              | \$23,537,827       | \$0                                 | \$52,646,446                                   |
| 0.332                                   | 56,746,176              | \$18,839,730       | 0.366            | 58,686,582              | \$21,479,289       | \$0                                 | \$48,042,167                                   |
| 0.367                                   | 47,642,973              | \$17,484,971       | 0.405            | 49,272,100              | \$19,955,200       | \$0                                 | \$44,633,278                                   |
|   | 1,375,286,424           | \$305,588,231      |                  | 1,422,313,630           | \$348,480,173      | \$0                                 | \$779,436,537                                  |
| 0.147                                   | 1,700,780,945           | \$250,014,799      | 0.162            | 1,758,938,267           | \$284,947,999      | \$515,362,807                       | \$0  |
| Nonadvertising                          |                         |                    |                  |                         |                    |                                     |  |
| Science of Agriculture<br>Delivery Unit | 11,586                  | \$1,390            | 0.139            | 11,982                  | \$1,666            | \$1,666                             | \$1,666  |
| SCF                                     | 0.123                   | \$169,986          | 0.147            | 1,429,259               | \$210,101          | \$210,101                           | \$210,101                                      |
| Zones 1&2                               | 0.143                   | \$910,586          | 0.162            | 6,678,884               | \$1,081,979        | \$1,081,979                         | \$1,081,979                                    |
| Total                                   | 7,851,642               | \$1,081,962        |                  | 8,120,125               | \$1,293,746        | \$1,293,746                         | \$1,293,746                                    |

| Regular Rate  |                 | After Rates Revenues |           | Modified:     |                 | 29-Sep-94        |                 | USPS-T-11      |                         | WP V.B        |                   | Page 10 of 11        |                | Base Year       |                 | 1995            |                | Postage Revenue |               | 1995 at 100%   |                | Advertising    |               | 1995 at 100% |       |
|---------------|-----------------|----------------------|-----------|---------------|-----------------|------------------|-----------------|----------------|-------------------------|---------------|-------------------|----------------------|----------------|-----------------|-----------------|-----------------|----------------|-----------------|---------------|----------------|----------------|----------------|---------------|--------------|-------|
| Piece Rated   | Presort Rates:  | Required             | 3/5-Digit | Carrier-Route | Total           | Piece Discounts: | Delivery Office | SCF            | 125-Piece Walk Sequence | Saturation    | Editorial Content | Editorial Percentage | Rate           | Billing         | Postage         | Phase 2         | Rates          | Determnants     | Revenue       | Postage        | 1995 at 100%   | Editorial      | Advertising   | 1995 at 100% |       |
|               |                 |                      |           |               |                 |                  |                 |                |                         |               |                   |                      |                |                 |                 |                 |                |                 |               |                |                |                |               |              |       |
| 0.201         | 1,351,192,092   | \$271,589,610        | 0.222     | 1,397,395,405 | \$310,221,780   | \$310,221,780    | \$495,907,518   | \$372,723,740  | \$1,178,853,038         | (\$1,159,561) | (\$19,040,628)    | (\$98,296)           | (\$559,748)    | (\$390,096,190) | 100.00%         | 0.00%           | \$0            | (\$559,748)     | (\$98,296)    | (\$19,040,628) | (\$1,159,561)  | (\$559,748)    | 0.00%         |              |       |
| 0.158         | 2,755,809,724   | \$435,417,936        | 0.174     | 2,850,043,208 | \$495,907,518   | \$372,723,740    | \$1,178,853,038 | (\$1,159,561)  | (\$19,040,628)          | (\$98,296)    | (\$559,748)       | (\$390,096,190)      | 100.00%        | 0.00%           | \$0             | (\$559,748)     | (\$98,296)     | (\$19,040,628)  | (\$1,159,561) | (\$559,748)    | 0.00%          | \$0            | 0.00%         |              |       |
| 0.119         | 2,751,145,398   | \$327,386,302        | 0.131     | 2,845,219,388 | \$372,723,740   | \$1,178,853,038  | (\$1,159,561)   | (\$19,040,628) | (\$98,296)              | (\$559,748)   | (\$390,096,190)   | 100.00%              | 0.00%          | \$0             | (\$559,748)     | (\$98,296)      | (\$19,040,628) | (\$1,159,561)   | (\$559,748)   | 0.00%          | \$0            | 0.00%          |               |              |       |
| 6,858,147,214 | \$1,034,393,849 | \$271,589,610        | 0.222     | 1,397,395,405 | \$310,221,780   | \$310,221,780    | \$495,907,518   | \$372,723,740  | \$1,178,853,038         | (\$1,159,561) | (\$19,040,628)    | (\$98,296)           | (\$559,748)    | (\$390,096,190) | 100.00%         | 0.00%           | \$0            | (\$559,748)     | (\$98,296)    | (\$19,040,628) | (\$1,159,561)  | (\$559,748)    | 0.00%         |              |       |
| 0.015         | 1,841,107,074   | (\$16,569,964)       | 0.010     | 1,904,062,775 | (\$1,159,561)   | (\$19,040,628)   | (\$98,296)      | (\$559,748)    | (\$390,096,190)         | 100.00%       | 0.00%             | \$0                  | (\$559,748)    | (\$98,296)      | (\$19,040,628)  | (\$1,159,561)   | (\$559,748)    | (\$390,096,190) | 100.00%       | 0.00%          | \$0            | 0.00%          |               |              |       |
| 0.009         | 1,841,107,074   | (\$16,569,964)       | 0.010     | 1,904,062,775 | (\$1,159,561)   | (\$19,040,628)   | (\$98,296)      | (\$559,748)    | (\$390,096,190)         | 100.00%       | 0.00%             | \$0                  | (\$559,748)    | (\$98,296)      | (\$19,040,628)  | (\$1,159,561)   | (\$559,748)    | (\$390,096,190) | 100.00%       | 0.00%          | \$0            | 0.00%          |               |              |       |
| 0.005         | 15,841,000      | (\$79,205)           | 0.006     | 16,382,675    | (\$98,296)      | (\$559,748)      | (\$390,096,190) | 100.00%        | 0.00%                   | \$0           | (\$559,748)       | (\$98,296)           | (\$19,040,628) | (\$1,159,561)   | (\$559,748)     | (\$390,096,190) | 100.00%        | 0.00%           | \$0           | (\$559,748)    | (\$98,296)     | (\$19,040,628) | (\$1,159,561) | (\$559,748)  | 0.00% |
| 0.015         | 31,837,698      | (\$477,565)          | 0.017     | 32,926,372    | (\$559,748)     | (\$390,096,190)  | 100.00%         | 0.00%          | \$0                     | (\$559,748)   | (\$98,296)        | (\$19,040,628)       | (\$1,159,561)  | (\$559,748)     | (\$390,096,190) | 100.00%         | 0.00%          | \$0             | (\$559,748)   | (\$98,296)     | (\$19,040,628) | (\$1,159,561)  | (\$559,748)   | 0.00%        |       |
| 0.050         | 4,095,548,474   | (\$204,777,424)      | 0.055     | 4,235,593,629 | (\$232,957,650) | (\$19,040,628)   | (\$98,296)      | (\$559,748)    | (\$390,096,190)         | 100.00%       | 0.00%             | \$0                  | (\$559,748)    | (\$98,296)      | (\$19,040,628)  | (\$1,159,561)   | (\$559,748)    | (\$390,096,190) | 100.00%       | 0.00%          | \$0            | 0.00%          |               |              |       |

| Regular Rate               |  | After Rates Revenues |               | Modified:       |            | 29-Sep-94       |                 | Base Year       |                 | 1995            |                 | Postage Revenue |                 | 1995 at 100%    |                 | Advertising     |                 |
|----------------------------|--|----------------------|---------------|-----------------|------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                            |  |                      |               |                 |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Rate                       |  | Billing              |               | Postage Revenue |            | Phase 2         |                 | Billing         |                 | Postage Revenue |                 | 1995 at 100%    |                 | Editorial       |                 | 1995 at 100%    |                 |
| Automation Discounts:      |  | Required ZIP + 4     | (0.009)       | 2,420,002       | (\$21,780) | (0.010)         | 2,502,753       | (\$25,028)      | (\$25,028)      | (\$238,763)     | (\$5,128,350)   | (\$18,820)      | (\$37,991)      | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Required Prebarcode Ltrs.  |  | (0.019)              | 10,993,728    | (\$208,881)     | (0.021)    | 11,369,653      | (\$238,763)     | (\$238,763)     | (\$238,763)     | (\$5,128,350)   | (\$18,820)      | (\$37,991)      | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Required Prebarcode Flats  |  | (0.023)              | 177,074,610   | (\$4,072,716)   | (0.025)    | 205,134,000     | (\$5,128,350)   | (\$5,128,350)   | (\$5,128,350)   | (\$18,820)      | (\$37,991)      | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| 3/5-Digit ZIP + 4          |  | (0.004)              | 4,549,518     | (\$18,198)      | (0.004)    | 4,705,086       | (\$18,820)      | (\$18,820)      | (\$18,820)      | (\$37,991)      | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Prebarcode 3-Digit Letters |  | (0.011)              | 3,061,249     | (\$33,674)      | (0.012)    | 3,165,927       | (\$37,991)      | (\$37,991)      | (\$37,991)      | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Prebarcode 5-Digit Letters |  | (0.019)              | 22,431,503    | (\$426,199)     | (0.021)    | 23,198,537      | (\$487,169)     | (\$487,169)     | (\$487,169)     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Commingled                 |  | (0.015)              | 753,099,310   | (\$11,296,490)  | (0.017)    | 889,182,000     | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  | (\$15,116,094)  |
| Science of Agriculture     |  | 0.168                | 253           | \$43            | 0.185      | 262             | \$48            | \$48            | \$48            | \$1,206         | \$5,581         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         |
| Delivery Unit              |  | 0.178                | 5,952         | \$1,059         | 0.196      | 6,156           | \$1,206         | \$1,206         | \$1,206         | \$5,581         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         |
| SCF                        |  | 0.196                | 24,985        | \$4,897         | 0.216      | 25,839          | \$5,581         | \$5,581         | \$5,581         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         |
| Zones 1&2                  |  | 0.196                | 31,190        | \$5,999         | 0.216      | 32,257          | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         | \$6,836         |
| Total                      |  |                      | 6,858,147,214 | \$1,352,056,272 |            | 7,092,658,000   | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 | \$1,538,713,693 |
| Pieces/Calculated Revenue  |  |                      | 3,083,950,201 | \$2,593,506     |            | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     | \$2,593,506     |
| Key Rate Pounds            |  |                      | 12,295,530    | \$1,354,649,778 |            | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 | \$1,354,649,778 |
| Calculated + Key Rate Rev. |  |                      | 3,096,245,731 | \$1,359,075,064 |            | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 | \$1,359,075,064 |
| RPW Revenue from Postage   |  |                      |               |                 |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Revenue Adjustment Factor  |  |                      |               |                 |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Forecast Volumes           |  |                      |               |                 |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |

| Second-Class Regular Rate<br>Revenue, Cost and Volume Data<br>Modified:<br>29-Sep-94 |               |                 |                 |                 |                 |
|--|---------------|-----------------|-----------------|-----------------|-----------------|
| USPS-T-11<br>WP V.C<br>Page 3 of 3   |               | Coverage        |                 |                 |                 |
|  |               | Volume          | Revenue         | Fees            | Cost            |
| TYBR   |               | 7,156,782,000   | \$1,416,119,738 | \$10,334,000    | \$1,377,693,000 |
| TYAR   |               | 7,092,658,000   | \$1,546,701,461 | \$12,606,377    | \$1,366,657,000 |
| TYAR: 100% Editorial   | 7,092,658,000 | \$1,270,068,918 | \$12,606,377    | \$1,366,657,000 | 93.85%          |
| TYAR: 0% Editorial   | 7,092,658,000 | \$1,927,634,763 | \$12,606,377    | \$1,366,657,000 | 141.97%         |